

DRAFT

# Collecting Ideas On How to Use Free Cash

Meeting with Residents, Town Manager, Selectmen, et al  
December 14, 2015  
Dedham Middle School

# Agenda

- What is Free Cash?
- How have we used free cash in the past?
- How did we get to where we are today?
- Selectmen's thoughts
- Some examples
- Collecting ideas from residents
- What will happen after tonight?

# What is free cash?

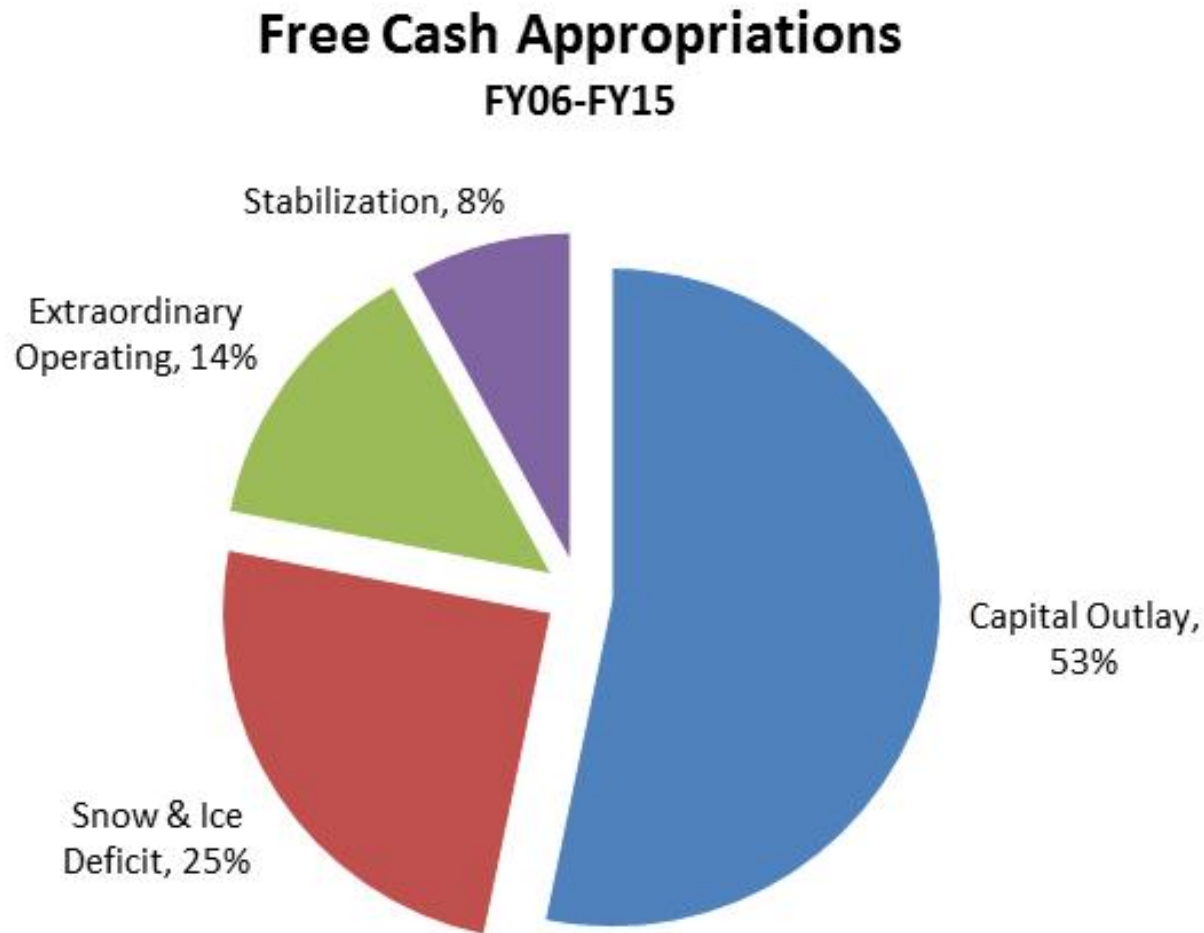
- When receipts exceed budget and when expenses are lower than budget there is a surplus
- Certified by DOR after every June 30<sup>th</sup>
- Free Cash may only be appropriated by vote of Town Meeting prior to the next June 30th

# How have we used free cash in the past?

Dedham's  
Free Cash  
history  
over last  
decade

Certified as of July 1	Certified Amount (\$MM)	Free Cash Usage
2006	\$ 0.9	\$ 0.9
2007	\$ 1.9	\$ 1.9
2008	\$ 3.2	\$ 3.2
2009	\$ 2.0	\$ 2.0
2010	\$ 2.4	\$ 2.4
2011	\$ 2.4	\$ 2.2
2012	\$ 2.0	\$ 1.6
2013	\$ 3.1	\$ 2.6
2014	\$ 8.2	\$ 3.7
2015	\$ 16.2	T/B/D

# How have we used free cash in the past?



# How have we used free cash in the past?

(these notes actually tie to the pie chart on the previous slide)

- Spent \$10.9 million of Free Cash (53%) on capital outlay in the last ten years
- Snow and ice deficit spending has been our second largest use of (25%) Free Cash over the last decade
- Largest snow & ice deficit spending in the last decade was in FY15 for \$2,000,000

# Our latest Free Cash calculation as of June 30, 2015

Starting Free Cash July 1, 2014	\$ 8.1M
• Appropriated uses in FY15	-\$ 3.7
• Revenue surplus	\$ 6.3
• Property taxes (net)	\$1.9
• Meals & Room taxes	\$1.7
• All other local receipts	\$2.7
• Expenses lower than expected	\$ 1.9
• Other net transfers in	<u>\$ 3.6</u>
Ending Free Cash June 30, 2015	\$16.2M

# Selectmen's thoughts on using Free Cash:

- Follow the Town's Financial Policy
  - Ongoing operating costs will be funded by ongoing operating revenue sources
  - Should be used only for one-time expenditures such as capital improvements, capital equipment and unexpected or extraordinary expenses such as unbudgeted snow and ice removal expenses
  - ...shall not be considered in balancing the current year budget. However, Free Cash from the prior year shall be available for appropriation at any Town Meeting.
- A large portion should be used to mitigate property taxes over the next few years
- Free cash & other reserves per DOR should be about 3-5% of General Fund annual operating budget



# Reducing taxes with Free Cash

- By applying funds directly against tax rate (Tax Recap process)
- By appropriating as available source towards operating budget
- By paying off debt exclusions (e.g. debt issues excluded from regular tax levy- aka the middle school)

## Tax facts:

\$1M reduction in tax levy = approx. \$0.20 reduction to tax rate;  
= approx. \$84 reduction to avg. residential tax bill; for one year only

= approx. \$575 reduction to avg. commercial & industrial tax bill, for one year only

# Collecting Ideas from Residents

- Categories:
  - Debt Reduction
  - One-time Tax Reduction
  - Extended Tax reduction
  - Increase Reserves
  - Capital Spending
  - Other
- Now we want to hear from you!
  - Residents first, civic groups second
  - Questions/Comments to 3 minutes, please
  - Each person can ask one question in each round
  - Please provide your name and address

# What will happen after tonight?

- The Town Manager will fill in more detailed information for each idea
- In January, Selectmen will discuss the ideas and make recommendations to the Town Manager for the FY 2017 budget
- The budget process begins in February and the Finance Committee will bring its recommendations to Town Meeting
- Town Meeting Representatives will have final approval of any proposed uses of Free Cash in May, 2016

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# Appendix

# Dedham's Long term liabilities

Description	\$MM
Debt as of June 30 2015	55.4
- Excluded           \$ 21.9MM	
- Non-excluded   \$ 33.5MM	
Other Post employment Benefits – As of Jun 30 2014	50.2
Pensions – Jan 1 2014	24.7
Total	130.3

# Changes in Property Tax Bills

Year	Avg Tax Bill	\$ change from prior year
FY2012	5770	
FY2013	5937	167
FY2014	6217	280
FY2015	6375	158
FY2016	6509	134

# E-mails, phone calls conversations prior to this meeting:

Recommendation	Total	
Reduce property taxes	10	
Pay down Debt	1	
Reduce School Administrators	1	
Improve schools	2	
Purchase underused property for open space	1	
Improve Wigwam Pond Access	1	
Increase walkable connections in Dedham	1	
Upgrade website and electronic communication	2	